



DelphX Capital Markets Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three and Six months ended June 30, 2022

August 26, 2022

DelphX Capital Markets Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three and six months ended June 30, 2022

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to DelphX Capital Markets Inc., (“DelphX” or the “Company”) as at May 26, 2022. This Interim MD&A is based on information available to DelphX and updates disclosure previously provided in the Company’s Annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three and six months ended June 30, 2022 and 2021 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the “Audited Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com or on the Company’s website at www.delphx.com.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings*) (“NI 52-109”), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (“DC&P”) and/or Internal Controls over Financial Reporting (“ICFR”), as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This document contains “forward-looking statements” which may include, but are not limited to, statements with respect to the future financial or operating performance of DelphX or future events related to DelphX which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect DelphX’s current internal projections, expectations or beliefs and are based on information currently available to DelphX. Often, but not always, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “predict”, “potential”, “continue”, “budget”, “schedule”, “estimate”, “forecast” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ materially from those anticipated in such statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; changes in project parameters as plans continue to be refined; changes in labour costs and other costs of materials, equipment or processes to operate as anticipated; accidents, labour disputes and other risks and delays in obtaining governmental approvals or financing or in the completion of research and development activities. Although DelphX has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Interim MD&A and, unless otherwise required by applicable securities laws, DelphX disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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General

DelphX Capital Markets Inc. ("**DelphX**" or the "**Company**") was incorporated as Seaside Exploration Partners Corp. ("**Seaside**") on October 21, 2016, pursuant to the *Business Corporations Act* (British Columbia), and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange ("**TSXV**"). On April 25, 2018, DelphX Corporation and Seaside completed a Qualifying Transaction ("**QT**"), as is defined pursuant to TSXV Policy 2.4, pursuant to a definitive share-exchange agreement dated December 12, 2017. The QT constituted a reverse take-over ("**RTO**") of Seaside. Details of the QT are disclosed in note 23 of the Audited Consolidated Financial Statements. Prior to the QT, Seaside had a fiscal year end of January 31st, which has been changed to December 31st to coincide with the reporting year end of the DelphX Corporation (the RTO accounting acquirer).

The principal address of the Company is 15 Prince Arthur Avenue, Toronto, Ontario, M5R 1B2. DelphX's principal business activity is to develop and operate a global facility for transparent offering, purchase, sale, collection and storage of certain fixed income securities and derivatives, and to manage data, research, analytics and valuations of such instruments, as more fully described below.

The Unaudited Interim Consolidated Financial Statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. As the Company is in the development stage and has not yet realized profitable operations, it has relied on non-operational sources of financing to fund operations. DelphX's ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt and/or equity financing, but it cannot provide assurance that it will be successful in doing so. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness, ultimately, of the use of accounting principles applicable to a going concern. The Unaudited Interim Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Unaudited Interim Consolidated Financial Statements have also been prepared in accordance with *International Accounting Standards ("IAS") 34 'Interim Financial Reporting'* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They consolidate the accounts of the Company and all its subsidiaries. The Company acquired 100% of the issued and outstanding shares of DelphX Services Corporation ("**DSC**") on November 27, 2017. DSC is an SEC-registered securities broker-dealer that was previously owned by the Company's President and CEO and has an objective to manage the DelphX Alternative Trading System ("**ATS**"). The Company's other wholly-owned subsidiaries are as follows: DelphX Data Corporation (incorporated on February 21, 2018, pursuant to the laws of Canada), the Company's Canadian operations entity; Quantem Capital Corporation (incorporated on April 11, 2018, pursuant to the laws of Bermuda) (inactive), Quantem Capital LLC (a limited liability company formed on September 3, 2021, pursuant to the laws of Delaware) and DelphX Corporation (incorporated on February 18, 2016, pursuant to the laws Delaware, USA), the Company's US operations entity. The Unaudited Interim Consolidated Financial Statements include the financial position, results of operations and cash flows of its subsidiaries subsequent to acquisition or formation.

The Unaudited Interim Consolidated Financial Statements were approved for issuance by the Board of Directors of the Company on August 26, 2022.

Any reference to "note" or "notes" in this Interim MD&A are to the corresponding notes in the Unaudited Interim Consolidated Financial Statements.

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Principal Business and Stated Business Objectives

DelphX is a financial innovation company that has designed two new private placement securities to improve both default protection and enhanced yield in the fixed income market. The Company operates the issuance of its proprietary products under a wholly-owned special purpose vehicle called “**Quantem**”. The development of these two new securities is the result of a multi-year collaboration with bond investment and trading companies, who have seen a diminishing ability to protect against risk and default, due to structural changes in their industry and lack of new innovative and novel alternatives.

This problem is significant, because it causes institutional investors, banks, dealers, pension funds and insurance companies to tie up additional capital to offset potential liabilities, while also reducing yield within their existing portfolios.

To solve these problems, DelphX (with guidance from the SEC) created two proprietary private placement securities solutions that offer both secure risk protection and yield improvement for currently issued underlying bonds: Collateralized Put Options (“**CPOs**”) and Collateralized Reference Notes (“**CRNs**”).

CPOs, which are private placement securities that pay holders the interest and principal payments as due under a referenced credit security that has defaulted. CPOs are structured to indemnify both individual and portfolios of referenced corporate bonds and other credit securities.

CRNs, which are fixed coupon/maturity private placement securities which collateralize all CPO protection and pay materially-enhanced yields over their related reference bond.

All CPOs and CRNs are issued by Quantem, collateralized by US Treasuries and held in custody by BNY Mellon.

DelphX in conjunction is in the process of building an automated platform enabling anonymous discovery, negotiation and issuance of CPOs and CRNs. This dealer-exclusive platform will further support broker dealers as they represent their clients in the purchase of CPOs and CRNs.

At no time does DelphX (or Quantem) hold any securities or funds on behalf of third parties.

The Company's primary business objective has been to develop a sustainable revenue model by using novel products and technologies to solve major unmet problems in the bond market – with an emphasis on providing default protection and boosting yield in existing and future bond portfolios.

DelphX has officially launched its products to the institutional buy-side and broker-dealer community and anticipates adoption and monetization before year end, especially as economic and market conditions continue to demonstrate the need for risk mitigation and yield enhancement in credit portfolios.

Financial condition

As at June 30, 2022, the Company had assets totaling \$492,593 and shareholders' deficiency of \$2,353,626. This compares with assets of \$1,806,527 and shareholders' deficiency of \$1,026,170, as at December 31, 2021.

During the quarter ended June 30, 2022, the Company's net assets decreased by \$423,405. Details follow:

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Item	Change Favourable / (Unfavourable)	Explanation of change
	\$	
Cash	(549,787)	Significant cash outflows related to the ongoing consulting expenses, US corporate law costs associated with Quantem, the Halo onboarding costs and closing out of legacy lease obligation.
HST recoverable	79,744	Associated GST input tax credits (ITCs) associated with periodic supplier expenses in Q2-2022 increased the overall GST total the Company can recover.
Deposits and prepaids	87,958	Expenses owing to consultants and suppliers was paid in advance of the July 1, 2022 due date, as at June 30, 2022.
Right-of-use (ROU) assets	(115,247)	The increase is attributable to the accelerated depreciation for the period from closing out the Kitchener lease. Details provided in note 10 of the Unaudited Interim Consolidated Financial Statements.
Accounts payable and accrued liabilities	(185,908)	Increase over the quarter to reflect continuing legal expenses relating to ongoing consulting and professional fees and the Quantem roll-out.
Due to related parties	66,666	Repayment of a former officer's outstanding salary with this remaining balance paid off in the June 2022 quarter.
Lease liabilities	193,168	The Company's Kitchener office lease was closed out, hence the reason for the reduced lease liability. Details provided in note 10 of the Unaudited Interim Consolidated Financial Statements.

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Corporate activities

During the quarter ended June 30, 2021, the following securities were issued:

Common shares:

- (i) On May 11, 2022, the Company completed a non-brokered private placement with the issuance of 4,982,727 units (each a "**Unit**") at \$0.22 per Unit, raising gross proceeds of \$1,096,200. Each Unit consisted of 1 common share and 1 common share purchase warrant (each, a "**Warrant**"). Each Warrant entitles the holder to purchase 1 common share for \$0.35 for a period of 2 years. The Company paid cash finder fees of \$46,144 and issued 209,745 finder warrants (each, a "**Finder Warrant**"). Each Finder Warrant is exercisable for 1 common share at \$0.35 for a period of 2 years.

Options and warrants:

- (ii) On April 7, 2022, the Company granted 1,200,000 stock options to eligible participants under its stock option plan (the "Plan"). The Options have a two-year maturity and are exercisable for common shares of DelphX at an exercise price of \$0.50 per common share, all in accordance with the Plan.
- (iii) On June 11, 2022, 40,000 options at an exercise price of \$0.15 were exercised raising proceeds of \$6,000. Another 200,000 options of the same vintage with an exercise price of \$0.15, expired unexercised.

On June 22, 2022 DelphX Completes First CPO and CRN Issuance

Subsequent event

On July 9, 2022, 60,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$9,000.

On July 12, 2022, the Company DelphX Announced Amicable Resolution of Issues with former CEO and President, Larry Fondren. The Company has no other current or pending litigation it is aware of.

On July 20, 2022, 100,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$15,000.

On July 25, 2022, 50,000 options were exercised at an exercise price of \$0.15 for gross proceeds of \$7,500.

On August 3, 2022, the Company issued 47,617 common shares at a price of \$0.18 per share for a total consideration of \$8,571 to a supplier, in lieu of payment of an outstanding invoice for services rendered to the Company.

On August 25, 2022, the Company announced the completion and oversubscription of a non-brokered private placement of 4,825,715 units of the Company (the "Units"), at a premium to market subscription price of \$0.14 per Unit, for aggregate gross proceeds of approximately \$675,600.

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Related-party transactions and balances

Due from related party

As at June 30, 2022, there are no amounts due to the Company.

Due to related parties

As at June 30, 2022, the full amounts due to related parties of \$66,666 has been paid off (December 31, 2021 - \$66,666), comprising salary and consulting charges due to senior officers of the Company.

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the chief executive officer and the chief financial officer, the Company's remaining C-suite officer and consultants. Related-party compensation paid or payable to key management is detailed below:

3 months ended	June 30, 2022	June 30, 2021
	\$	\$
Compensation to key management	214,162	183,805
Share-based compensation	-	218,219

The Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

Outstanding securities

As at the date of this Interim MD&A, DelphX has the following securities outstanding:

Security	Number outstanding
Common shares	123,009,270
Options (Exercisable – 9,766,000)	9,766,000
Warrants*	31,540,894
Broker warrants	1,128,612